Executive Summary

Real gross domestic product (GDP), an inflation-adjusted measure of the total output of goods and services produced in the United States, was estimated to have grown by 2.6 percent in the third quarter of FY03. Consumer spending, which accounts for two-thirds of real GDP, experienced growth of 1.6 percent. Industrial production rose 1.4 percent in the third quarter, following a decline in the previous quarter.

Kentucky's personal income is estimated to be $105.9 billion annually in the third quarter, rising by 2.7 percent from a year ago. In comparison, U.S. personal income rose 3.7 percent during this period. Wages and salaries in Kentucky rose by 2.4 percent in the third quarter, compared to 3.5 percent nationally. Hurt by job losses in the manufacturing sector, total nonagricultural employment increased by a mere 1,000 jobs, resulting in growth of 0.1 percent. In contrast, national employment fell by 0.4 percent.

General Fund revenues for the third quarter of FY03 rose 5.3 percent from third quarter of the previous fiscal year. Receipts totaled $1,557.8 million. Variations in the quarterly receipts are affected by differences in the timing of payments into the revenue accounts. In the third quarter, corporation income tax and individual income tax receipts were affected by a timing change in refund payments.

Sales and use tax receipts fell by 1.9 percent in the third quarter of FY03. Individual income taxes rose 10.2 percent, and were affected by higher declaration payments. Corporation income tax receipts registered a negative balance of $4.1 million, which actually is an improvement over the previous year, when the balance for the third quarter was -$14.1 million. The coal severance tax fell by 16.1 percent in the third quarter. Property taxes were up by 3.7 percent, and lottery revenues were up 28.2 percent over the third quarter of FY02 thanks to higher sales of Powerball tickets. The "all other" category, which represents the remaining accounts in the General Fund, was up by 7.5 percent compared to the third quarter of last fiscal year.

The Road Fund fell by 3.0 percent from the FY02 third quarter. Motor fuels taxes were down by 5.2 percent. The motor vehicle usage tax was also down 3.5 percent, falling from a much higher base in the prior fiscal year. The weight distance tax rose by 0.6 percent in the third quarter. The remaining accounts in the Road Fund combined for a decrease of 1.9 percent.

The interim revenue estimate for the next fiscal quarter calls for revenues to fall by 1.3 percent compared to the fourth quarter of FY02. For the entire fiscal year, total General Fund collections are expected to rise 3.4 percent over the previous fiscal year resulting in receipts of $6,780.8 million for the entire fiscal year. The sales and use tax is projected to grow by 3.0 percent in the final quarter. The individual income tax is forecasted to decline by 0.7 percent, as higher refunds should dampen growth in this tax. Corporation income and license taxes are estimated to drop by 1.1 percent in the final quarter due to higher refund payments. The coal severance tax should fall by 15.7 percent in the fourth quarter of FY03. Property taxes are expected to shrink by 4.5 percent due to timing issues. Lottery revenues should drop by 4.8 percent, as recent legislation removes some lottery money from the General Fund. In the "all other" revenue category, receipts should decline by 18.9 percent in the fourth quarter of FY03.

The interim revenue estimate for FY03 represents a reduction of $81.7 million from the January revised official consensus revenue estimate for the General Fund. The largest shortfall is in the individual income tax, which is expected to be down $72.7 million when compared to the January figure.

During the first two quarters of FY04, General Fund collections are projected to increase by 0.5 percent, with total revenues of $3,460.0 million. Sales and use tax revenues should be unchanged, individual income taxes are projected to increase by 2.8 percent, and corporation income and license taxes should decline by 17.4 percent. The coal severance tax is forecasted to fall, with a decline of 1.3 percent, and property taxes are forecasted to grow 3.2 percent. Lottery revenue should decline 6.9 percent, and the "all other" category is projected to expand 7.9 percent. Revenue growth in the first half of FY04 will appear lower than otherwise due to the impact of the tax amnesty program in the first quarter of FY03 as well as several extraordinary revenue events in that fiscal year.

Road Fund revenue estimates for the remainder of FY03 call for a decline of 2.2 percent compared to the final quarter of FY02. Total Road Fund revenues for the entire FY03 are expected to reach $1,119.2 million, representing virtually no change from the previous fiscal year. For the Road Fund, the revisions lower expected FY03 revenues by just $1.9 million, with some accounts slightly higher than earlier projections, and others slightly lower. Motor fuels taxes are projected to increase by 1.3 percent in the fourth quarter. Motor vehicle usage taxes are forecasted to fall by 0.6 percent. License and privilege taxes (excluding the weight distance tax) are expected to grow 2.1 percent, and the weight distance tax should rise by 2.7 percent. Toll income should fall by 16.7 percent. Investment income is expected to fall 79.6 percent due to both decreased cash balances and lower yields on investments.

For the first two quarters of FY04, the Road Fund is forecasted to decline by 1.4 percent, with total revenues of $546.9 million.

Note: *The state's fiscal year, which begins on July 1, will be used as the time frame throughout this report, i.e., the third quarter of FY2003 covers the January-March 2003 period.*

The Economy

NATIONAL ECONOMY
Third Quarter

The U.S. economy struggled to stay afloat in the third quarter of FY03 as investors walked away from the market in face of war, weather, and worries. The Dow fell by 615 points between January 1 and March 31; employment fell by 0.4 percent; and consumer confidence sank rapidly in anticipation of the war in Iraq.

Real gross domestic product (GDP) is an inflation-adjusted measure of the total output of goods and services produced in the United States. Real GDP is estimated to have increased by 2.6 percent in the third quarter compared to 5.0 percent a year ago.* Growth rates of between 2.5 percent and 3.0 percent would normally be considered robust, but during an economic recovery the bounce-back in output is normally much higher. In fact much of the gain in real GDP is from the military build-up in the Middle East.

Consumption accounts for about two-thirds of real GDP. Total real consumption increased by 1.6 percent in the third quarter, compared to 1.7 percent in the previous quarter and 3.1 percent a year ago. The tepid growth has been seen as a result of consumer worries leading up to the war in Iraq as well as the severe winter weather in February. Durable goods were hit especially hard with consumption declining by 4.1 percent. Within this broad category motor vehicles posted a steep decline of 13.6 percent. The drop in motor vehicles consumption is not only related to the 14 percent reduction in the number of cars purchased but also to a slide in auto prices charged by manufacturers. Consumption of nondurable goods was up 4.0 percent. This category includes essentials like clothing and energy and normally shows some growth even in times of crisis. Services comprise over half of all consumption and were up slightly by 1.6 percent.

Total investment comprises close to a fifth of real GDP and is usually sensitive to both interest rates and future expansion opportunities. Overall, the investment component of GDP declined by 0.5 percent after four successive quarters of growth. The decline was the most severe in commercial and industrial buildings. The recent recession has effectively created enough vacancies to substantially dampen new investments. Investment in residential buildings was up sharply, however. Low interest rates have managed to keep this part of the market growing. But investment in the bloated telecommunications sector shrank by over 30 percent.

Government spending constitutes 17 percent of GDP and was up by a robust 5.2 percent. Most of the gain was in Federal government spending and was directly linked to the defense buildup (an increase of 19.5 percent) in the Middle East.

***This report was prepared prior to the release of "advance" GDP estimates on April 25 by the U.S. Bureau of Economic Analysis. The estimates in this report are based on the U.S. National Economic Forecast as developed by Global Insight, Inc.**

Industrial production increased by 1.4 percent after registering a drop of 3.1 percent in the second quarter. All major areas of production were down except the chemical industry which showed an almost imperceptible 0.2 percent gain from agricultural chemicals and paint. Output of business-related goods was down 7.0 percent, and even consumer goods declined by 0.4 percent. Much of this is reflected in consumer confidence sliding into recession territory. The University of Michigan Consumer Sentiment Index for the third quarter was at 80.0 compared to 93.1 a year ago. The cause of the latest drop appears to be related not to the economy but to anxieties about the war in Iraq. This contributed to the lack of consumer confidence and the consequent weak industrial production. Factory capacity utilization continued to be in recessionary territory at just 73.5 percent, compared to the 83.0 percent utilization of the mid-1990s.

Personal income, a measure of spending power, was $9,129.7 billion in the third quarter, for an annualized increase of 4.0 percent over the previous quarter. Growth in personal income was as low as 2.0 percent during the first quarter of FY03 making the year-to-date average among the lowest since 1992.

The unemployment rate in the third quarter averaged 5.8 percent—down slightly from the second quarter but still nearly the highest in nine years. The rate of inflation as measured by the consumer price index was 3.1 percent compared to 1.3 percent a year ago. Again the prospect of war and its impact on the price of crude oil was the driving factor behind the ratcheting inflation. By the end of March, when it was apparent that oil wells in Iraq were safe, energy prices began to fall. During the third quarter inflation from energy prices was up 30.4 percent, but the "core" rate of inflation, which excludes energy and food, was up just 1.4 percent.

Total nonagricultural employment averaged 130.7 million jobs in the third quarter, a decline of 0.4 percent from the previous quarter. During six of the last seven quarters the labor market has contracted. Overall nonagricultural employment is down 1.3 percent from its peak in the January-to-March quarter of 2001. For a full two years the labor market has been hit hard by the recession followed by anxiety linked to September 11 and subsequent military action in Afghanistan and Iraq.

Manufacturing employment was down a steep 3.0 percent. The decline was in all sectors except food products. The worst hit sectors were tobacco (down 23.8 percent), leather and leather products (down 15.9 percent), and furniture and fixtures (down 7.9 percent).

STATE ECONOMY

Personal income is the broadest measure of a state's economic performance. Kentucky's personal income is estimated to be $105.9 billion for the third quarter of FY03, an increase of just 2.7 percent from a year ago. U.S. personal income grew by 3.7 percent during the same period. Wages and salaries constitute a little over half of personal income. Income derived from wages and salaries is estimated to have grown by 2.4 percent in FY03:3, compared to 3.5 percent nationally. The relatively lower rate of growth in Kentucky is linked primarily to the sources of income. Kentucky's income is disproportionately dependent on such beleaguered sectors as manufacturing and mining, both hard hit during this recessionary cycle.

Employment data is commonly used to gauge the strength of the state's economy, primarily because of its timely availability and its impact on consumer spending and confidence. Nonagricultural employment in Kentucky is estimated to have increased by 1,000 jobs in the third quarter of FY03, resulting in growth of 0.1 percent. During most of the 1990s and until the final quarter of 2000 employment grew annually by a little over 35,000.

Most of the current employment growth comes from the services sector which grew by 2.7 percent. The most rapid expansion is in the area of business services, followed by health services.

The trade sector, which includes both retail and wholesale trade, and construction were the other two sectors that showed gains during the third quarter. Within retail trade the largest gain was for automobile dealers. Construction, up just 0.7 percent, was dependent on heavy construction such as highway and roads as well as residential construction. After three quarters of little to no growth in residential construction this sector showed positive growth during this quarter.

The largest decline in employment was in manufacturing with a loss of 12,500 jobs in the January-to-March quarter. The largest drop in employment continues to be in the relatively high paying durable goods sector (down 5.6 percent). As in the national economy, none of the manufacturing areas showed any job gains except food and related products.

The sharp drop in Kentucky's manufacturing employment during the third quarter is related to the continued drop in the nondurable goods sector. Apparel, textiles, and printing are estimated to have lost jobs in the state, even though these sectors have stabilized in the rest of the country. The seeming national stability came at a cost since job losses in these sectors were much more severe around the country during the early part of the recession.

Table 1
National Economic Indicators
Third Quarter, FY2003

	FY02:3	FY03:2	FY03:3	SAAR** FY03:2 to FY03:3	FY02:3 to FY03:3 Percent Change
Real GDP (billion 1996 $)	9,363.2	9,518.2	9,580.0	2.6	2.3
Personal Income (billion $)	8,803.4	9,039.9	9,129.7	4.0	3.7
Real Disposable Income (billion 1996 $)	6,960.9	7,100.8	7,128.4	1.6	2.4
Consumer Price Index (annual percent change)	1.3	2.0	3.1	-	-
Industrial Production (annual percent change)	1.4	-3.1	1.4	-	-
Civilian Labor Force (millions)	145.2	145.7	145.9	0.5	0.4
Total Nonagricultural Employment (millions)	130.8	130.8	130.7	-0.4	-0.1
Manufacturing Employment (millions)	16.9	16.5	16.4	-3.0	-2.8
Unemployment Rate (percent)	5.6	5.9	5.8	-	-

Sources: Global Insight, Inc., and U.S. Dept. of Commerce, Bureau of Economic Analysis. Data for FY03:3 are April 2003 estimates prepared prior to the federal government's release of advance GDP estimates and cover the period January to March 2003.
**Seasonally adjusted annual percent growth rate.

Table 2
Selected Kentucky Economic Indicators
Seasonally Adjusted Data

	FY02:3	FY03:3	Change	Percent Change
Total Personal Income ($ millions)	103,112	105,890	2,778	2.7
Wage & Salary Income ($ millions)	56,574	57,919	1,345	2.4
Total Nonagricultural Employment (thousands)	1,821.5	1,822.5	1.0	0.1
Mining	20.3	19.3	-1.0	-5.1
Construction	89.3	89.9	0.6	0.7
Manufacturing	300.1	287.7	-12.5	-4.1
Transp, Communication & Public Utilities	106.4	103.2	-3.1	-2.9
Trade	427.3	429.8	2.5	0.6
Finance, Insurance, and Real Estate	75.4	72.3	-3.1	-4.1
Services	491.0	504.1	13.1	2.7
Government	311.7	316.2	4.6	1.5

Note: Numbers may not add up due to rounding.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.
GOEA's Macromodel of Kentucky Forecast, April 2003.

This page left blank intentionally

Revenue Receipts

THIRD QUARTER

General Fund

The third quarter of FY03 posted a 5.3 percent increase over the third quarter of FY02, following similar increases for the previous two quarters. Receipts in the third quarter totaled $1,557.8 million compared to $1,479.1 million received in the third quarter of FY02. While quarterly growth appears to have become more stable, both the underlying accounts and the monthly receipts within each quarter were significantly more volatile. Additionally, the third quarter of FY02 was a significant decline over FY01; receipts for the third quarter of FY03 were still slightly below receipts for the third quarter of FY01 at $1,565.7 million.

Table 3
Summary General Fund Receipts
Third Quarter, FY2003
(Millions of Dollars)

Type Tax	FY03	FY02	Percent Change
Sales and Use	549.6	560.3	-1.9
Individual Income	612.6	556.0	10.2
Corporation Income	-4.1	-14.1	----
Coal Severance	33.0	39.3	-16.1
Property	114.0	110.0	3.7
Lottery	50.0	39.0	28.2
All Other	202.7	188.6	7.5
TOTAL	**1,557.8**	**1,479.1**	**5.3**

Collections in the major revenue categories are shown in summary form in Table 3. Detailed information on these and other accounts is available in the Appendix.

As usual, variations in the quarterly receipts are affected by differences in the timing of payments into revenue accounts. This was true for both individual and corporate income taxes, where timing differences resulted from the processing of refund claims.

Total sales and use tax receipts for the quarter were $549.6 million, compared to $560.3 million in the third quarter of FY02. The result is a decline of 1.9 percent which continues recent trends. The growth rate for sales and use tax receipts continues to be less than expected.

The individual income tax posted receipts of $612.6 million, compared to last year's third-quarter receipts of $556.0 million. The result was growth rate of 10.2 percent, and was partly the result of individual declaration payments in January that were significantly higher than last year.

Corporation income tax receipts again posted negative receipts in the third quarter, based on the timing of refund payments. Net negative revenues of $4.1 million compare to a net negative year-earlier figure of $14.1 million.

Property tax receipts posted a 3.7 percent increase over the third quarter of a year ago. FY03 third-quarter receipts of $114.0 million compare with $110.0 million from the same period of FY02. As usual, there were some timing differences within the different property tax accounts, but those differences offset each other for the quarter.

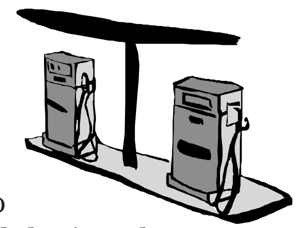
Coal severance tax continued its recent decline, with revenues down by 16.1 percent. Collections of $33.0 million compare to the FY02 third-quarter total of $39.3 million.

Lottery receipts were $50.0 million, up 28.2 percent from last year's third-quarter total of $39.0 million. Lottery receipts were significantly bolstered by a large Powerball jackpot early in the third quarter.

The "all other" category, which represents the remaining accounts of the General Fund, increased by 7.5 percent in the third quarter. Third-quarter receipts for FY03 were $202.7 million and compare to $188.6 million in FY02. Most of the increase was the result of higher revenues in insurance taxes and the bank franchise tax.

Road Fund

The Road Fund reported a small decrease in the third quarter of FY03, following a similar decline in the second quarter. Receipts were down 3.0 percent from the third quarter of FY02. Receipts totaled $270.4 million and compare to $278.7 million from the third quarter of last year. Summary data are contained in Table 4 and detailed data are shown in the Appendix.



Motor fuels tax receipts declined at a rate of 5.2 percent during the third quarter. Receipts were $102.0 million and compare to $107.6 million collected during the third quarter of last year.

Motor vehicle usage tax also posted a small decline in the third quarter, with receipts down by 3.5 percent. Receipts during the third quarter of FY03 totaled $102.4 million and compare to $106.1 million collected during the same period last year.

Weight distance tax receipts of $18.8 million represent a 0.6 percent increase over receipts of $18.7 million during the third quarter of FY02.

The remainder of the accounts in the Road Fund combined for an increase of 1.9 percent from a year earlier. In the "all other" category revenues of $47.2 million were down from $46.3 million in the third quarter of FY02.

Table 4
Summary Quarterly Report - Road Fund
Third Quarter, FY2003

Type Tax	FY03	FY02	Percent Change
Motor Fuels	102.0	107.6	-5.2
Motor Vehicle Usage	102.4	106.1	-3.5
Weight Distance	18.8	18.7	0.6
All Other	47.2	46.3	1.9
TOTAL	**270.4**	**278.7**	**-3.0**

Revenue Outlook

REVENUE OUTLOOK: Interim Forecast

General Fund

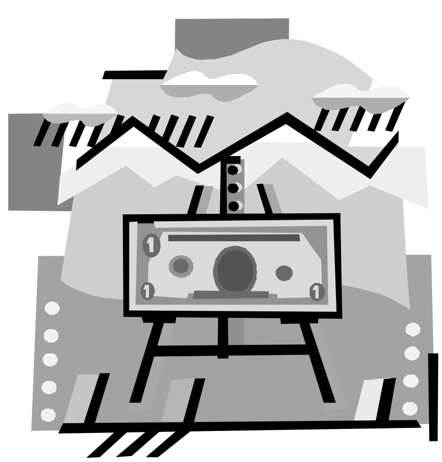
Projected General Fund revenues for the next three quarters are shown in Table 5. General Fund revenues were $4,999.7 million in the first three quarters of FY03, resulting in a growth of 5.1 percent over the same period a year ago. Revenue growth has resulted almost entirely from extraordinary events and one-time payments rather than an improved economy. Anticipated revenues for the final quarter of FY03 total $1,781.1 million, corresponding to a continued rate of decline of 1.3 percent from the previous fiscal year. Revenues in the first half of FY04 should grow by 0.5 percent, for a total of $3,460.0 million. Extraordinary gains in General Fund revenues in the first half of FY03 due to tax amnesty and one-time payments resulted in a lower growth projection in the first half of FY04. Legislative impacts resulting from the 2003 General Session are included in this interim analysis. These are embedded within the estimates for the individual taxes affected.

The revised consensus revenue forecast for FY03 prepared in January calls for $6,862.5 million in General Fund revenues. The interim forecast as shown in Table 7 anticipates that actual revenues will be $6,780.8 million, a reduction of $81.7 million. As explained below, most of the reduction is from the individual income tax.

Total **sales and use tax** receipts for the first three quarters of FY03 were $1,782.6 million, with a growth year-to-date of 3.7 percent. The projected rate of growth during the final quarter of FY03 calls for $598.0 million, or 3.0 percent. FY03 sales tax revenues are estimated to total $2,380.6 million, or $20.9 million below the consensus estimate. In the first two quarters of FY04, sales and use tax revenues should be $1,233.0 million, reflecting no change from the previous fiscal year.

The interim forecast for the **individual income** tax calls for modest decline of 0.7 percent for the remainder of FY03, amounting to collections of $798.1 million. The individual income tax rose by 3.5 percent in the first three quarters of FY03. Compared to the consensus revenue forecast for individual income taxes, FY03 revenues should total $72.7 million less. Indications are that net payments filed with tax returns will be lower this year, and correspondingly, refunds claimed on returns will be higher than expected in January. In the first half of FY04, individual income tax receipts should grow by 2.8 percent.

The outlook for the **corporation income and license tax** projects a decrease of 1.1 percent in the final quarter of FY03, representing collections of $156.6 million. These anticipated collections will bring the FY03 total to $408.6 million, an increase of 25.8 percent from



FY02. Contrary to most other accounts, the outlook for corporation income and license taxes exceeds the consensus revenue estimate by $18.7 million. Receipts in both accounts have been strong for the entire fiscal year to-date. Collections in the first two quarters of FY04 are expected to fall by 17.4 percent.

The **coal severance tax** has fallen sharply in the first three quarters of FY03, in contrast with most General Fund sources. Its decline follows a rapid rise in FY02 that was due to a delayed impact of higher energy prices during 2000 and early 2001. It is anticipated that coal production and prices will continue their trends. For this reason coal severance tax revenues are projected to drop by 15.7 percent in the final quarter of FY03, and to fall by 1.3 percent in the first two quarters of FY04. FY03 is expected to close with total coal severance tax receipts of $137.8 million, a decrease of 14.0 percent from FY02. The interim forecast reduces coal severance tax revenue by $5.9 million for the entire fiscal year.

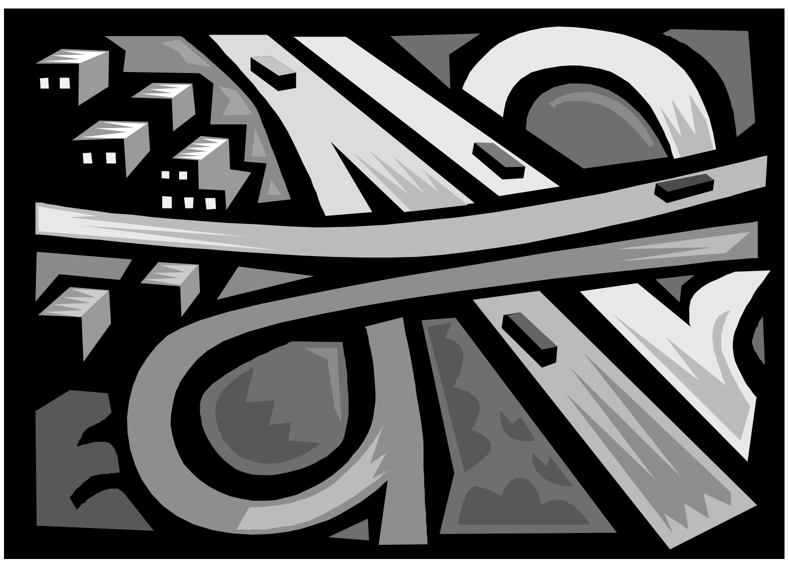
Property tax receipts totaled $380.4 million in the first nine months of FY03, with a growth rate of 1.2 percent. It is expected that the final quarter of FY03 will yield $54.4 million in property taxes, a decline of 4.5 percent from the previous year. Property taxes have tracked the forecast very closely, and the revised estimate is for an additional $1.0 million over the January consensus estimate. Collections in the first six months of FY04 should rise by 3.2 percent, as collection patterns return to normal.

Lottery revenues grew by 2.4 percent in the first three quarters of FY03. The solid growth rate is largely attributable to a one-time payment of $10 million received from the lottery as a result of unprecedented sales in the Powerball game in the fall of 2002. The interim estimate removes $3.3 million that has been reassigned from the General Fund to the Affordable Housing Trust Fund, resulting in a decline of 4.8 percent in the final quarter of FY03. Total lottery revenues should be $170.0 million in FY03. The outlook for the lottery reduces FY03 revenues by $1.9 million when compared to the consensus estimate. Increased balances in the unclaimed prize fund will likely lead to higher dividend payments later this fiscal year. In the first half of FY04, lottery revenues are projected to decline by 6.9 percent, due not only to the anticipated start of the Tennessee lottery, but also due to reassignment of the unclaimed prize fund from the Lottery Corporation to the Reserve Fund for Kentucky Education Excellence Scholarships pursuant to H.B. 269 of the 2003 General Assembly.

The **"other" category** contains estimates for several of the smaller revenue sources not otherwise classified. Although these taxes are aggregated for purposes of display, they are estimated individually. We anticipate a decline of 18.9 percent in the fourth quarter of FY03. Principally responsible for the expected decline is a projected loss in investment income. The interim revenue estimate for "other" revenues on balance does not deviate from the official January consensus forecast. In the first six months of FY04, the "other" revenues should increase of 7.9 percent over the first six months of FY03.

ROAD FUND

Road Fund revenues grew by 0.8 percent in the first three quarters of FY03, with collections totaling $824.8 million. Collections are expected to stall in the final quarter of the fiscal year. GOEA anticipates a decline of 2.2 percent during the next fiscal quarter, bringing the entire fiscal year expected collections to $1,119.2 million, for no growth over FY02. The interim Road Fund estimate for FY03 as shown in Table 7 represents a reduction of $1.9 million compared to the January 2003 revised consensus revenue estimate. For the first two quarters of FY04, the Road Fund is projected to contract by 1.4 percent. The sources of Road Fund receipts are listed in Table 6.



Motor fuels, heavy vehicle fuel surtax, and motor fuels normal use tax receipts are expected to rise by 1.3 percent during the remainder of FY03. The outlook for motor fuels taxes is for a shortage of $2.9 million compared to the official estimate. Growth in the first half of FY04 is expected to rise by 2.6 percent.

Motor vehicle usage tax collections have risen by a scant 0.1 percent in the first three quarters of FY03. Following rapid growth in motor vehicle sales in FY02, this revenue source has stabilized in the current fiscal year. The outlook is for motor vehicle usage taxes to decline by 0.6 percent in the final quarter of FY03, and will fall by 3.0 percent in the first two quarters of FY04. Motor vehicle usage taxes should exceed the consensus estimate by a total of $2.1 million in FY03.

To estimate the **other components** of the Road Fund, Transportation Cabinet officials assess the recent performance as well as administrative factors in developing an updated estimate. Based on the latest evaluation, license and privilege taxes are expected to grow by 2.1 percent in the final three months of FY03. The weight distance tax and surcharge are estimated to be up by 2.7 percent. Toll income will fall by 16.7 percent due to the removal of tolls on some Kentucky parkways, and investment income will fall by 79.6 percent due to lower interest rates and lower Road Fund balances. The combined total for all other Road Fund taxes should be $236.9 million in FY03, representing a decrease of $1.1 million when compared to the consensus revenue estimate.

Table 5

General Fund: Interim Estimate

(millions of dollars)

April 2003

	FY03 Quarters 1, 2, & 3		FY03 Quarter 4		FY03 Full Year		FY04 Quarters 1 & 2	
	Actual	% Chg Yr Ago	Estimate	% Chg Yr Ago	Interim Estimate	% Chg Year Ago	Estimate	% Chg Yr Ago
Sales & Use	1,782.6	3.7	598.0	3.0	2,380.6	3.5	1,233.0	0.0
Individual Income	1,965.8	3.5	798.1	-0.7	2,763.9	2.3	1,391.1	2.8
Corp Income & Lic	252.0	51.4	156.6	-1.1	408.6	25.8	183.2	-17.4
Coal Severance	106.2	-13.4	31.6	-15.7	137.8	-14.0	72.2	-1.3
Property	380.4	1.2	54.4	-4.5	434.8	0.4	274.8	3.2
Lottery	130.0	2.4	40.0	-4.8	170.0	0.6	74.5	-6.9
Other	382.7	11.1	102.4	-18.9	485.1	3.1	231.3	7.9
GENERAL FUND	**4,999.7**	**5.1**	**1,781.1**	**-1.3**	**6,780.8**	**3.4**	**3,460.0**	**0.5**

Table 6

Road Fund: Interim Forecast

(millions of dollars)

April 2003

	FY03 Quarters 1, 2 & 3		**FY03 Quarter 4**		**FY03 Full Year**		**FY04 Quarters 1 & 2**	
	Actual	% Chg Yr Ago	Interim Estimate	% Chg Yr Ago	Interim Estimate	% Chg Yr Ago	Interim Estimate	% Chg Year Ago
Motor Fuels & MF Use/Surtax	337.3	2.3	116.2	1.3	453.5	2.1	237.2	2.6
Motor Vehicle Usage & Renta	318.5	0.1	110.3	-0.6	428.8	-0.1	209.7	-3.0
License & Privilege (excl. WD	64.2	-2.6	38.8	2.1	103.0	-0.9	37.6	5.0
Weight Distance Tax/Surtax	58.2	2.6	19.1	2.7	77.3	2.7	40.3	2.5
Toll Income	9.8	-3.9	3.0	-16.7	12.8	-7.2	4.7	-28.8
Investment	20.9	-4.6	2.1	-79.6	23.0	-28.6	4.0	-74.4
Other	15.9	3.2	4.9	2.1	20.8	3.0	9.9	1.7
Road Fund	**824.8**	**0.8**	**294.4**	**-2.2**	**1,119.2**	**0.0**	**543.4**	**-2.0**

Table 7

FY03 General Fund: Forecast Comparison

(millions of dollars)

April 2003

	Interim Estimate		**Consensus**		**Difference**
	Estimate	% Chg	Jan 2003	% Chg	million $
Sales & Use	2,380.6	3.5	2,401.5	4.4	-20.9
Individual Income	2,763.9	2.3	2,836.6	5.0	-72.7
Corporation Income	408.6	25.8	389.9	20.0	18.7
Coal Severance	137.8	-14.0	143.7	-10.3	-5.9
Property	434.8	0.4	433.8	0.2	1.0
Lottery	170.0	0.6	171.9	1.7	-1.9
Other	485.1	3.1	485.1	3.1	0.0
GENERAL FUND	**6,780.8**	**3.4**	**6,862.5**	**4.6**	**-81.7**

FY03 Road Fund: Forecast Comparison

(millions of dollars)

	Interim Estimate		**Consensus**		**Difference**
	Estimate	% Chg	Jan 2003	% Chg	million $
Motor Fuels & MF Use	453.5	2.1	456.4	2.7	-2.9
Motor Vehicles Usage	428.8	-0.1	426.7	-0.6	2.1
License & Privilege	103.0	-0.9	103.1	-0.8	-0.1
Weight Distance	77.3	2.7	78.3	4.0	-1.0
Tolls	12.8	-7.2	13.3	-3.6	-0.5
Investment	23.0	-28.6	23.0	-28.6	0.0
Other	20.8	3.0	20.3	0.5	0.5
ROAD FUND	**1,119.2**	**0.0**	**1,121.1**	**0.2**	**-1.9**

APPENDIX

This page left blank intentionally

KENTUCKY STATE GOVERNMENT REVENUE - GENERAL FUND REVENUE

	Third Quarter 2002 - 2003	Third Quarter 2001 - 2002	Percent Change	Year-to Date 2002 - 2003	Year-to Date 2001 - 2002	Percent Change
TOTAL GENERAL FUND	**$1,557,786,101**	**$1,479,144,093**	**5.3**	**$4,999,694,746**	**$4,754,985,564**	**5.1**
Tax Receipts	**1,493,104,586**	**1,419,116,016**	**5.2**	**4,812,687,049**	**4,554,371,559**	**5.7**
Sales and Gross Receipts	**619,158,130**	**623,435,999**	**-0.7**	**1,933,661,075**	**1,858,681,520**	**4.0**
Beer Consumption	1,428,816	1,429,568	-0.1	4,731,073	4,598,871	2.9
Beer Wholesale	7,940,870	7,552,432	5.1	26,709,369	25,407,528	5.1
Cigarette	3,688,821	3,267,658	12.9	11,656,742	10,313,525	13.0
Distilled Spirits Case Sales	21,800	20,599	5.8	64,539	61,715	4.6%
Distilled Spirits Consumption	2,215,261	2,080,449	6.5	6,525,088	6,216,013	5.0
Distilled Spirits Wholesale	4,121,543	3,902,027	5.6	12,058,064	11,360,669	6.1
Insurance Premium	47,092,198	42,019,754	12.1	79,435,667	71,993,605	10.3
Pari-Mutuel	702,762	734,715	-4.3	3,117,152	2,892,225	7.8
Race Track Admission	3,387	41,619	-91.9	166,784	203,403	-18.0%
Sales and Use	549,581,307	560,250,274	-1.9	1,782,624,532	1,719,506,623	3.7
Wine Consumption	512,685	458,223	11.9	1,440,618	1,348,202	6.9
Wine Wholesale	1,848,681	1,678,681	10.1	5,131,447	4,779,141	7.4
License and Privilege	**125,633,276**	**123,366,201**	**1.8**	**269,372,064**	**248,894,737**	**8.2**
Alc. Bev. License Suspension	28,250	49,900	-43.4	107,550	156,200	-31.1
Coal Severance	33,001,961	39,314,127	-16.1	106,162,946	122,627,420	-13.4
Corporation License	34,329,399	32,819,190	4.6	89,018,623	59,892,918	48.6
Corporation Organization	31,200	57,125	-45.4	166,704	125,679	32.6
Occupational Licenses	33,248	40,918	-18.7	96,754	130,545	-25.9
Oil Production	830,279	498,660	66.5	2,315,939	1,890,727	22.5
Race Track License	3,850	47,075	-91.8	285,325	(16,427)	—-
Bank Franchise Tax	51,875,189	45,739,483	13.4	51,277,967	44,263,067	15.8
Driver License Fees	117,547	124,169	-5.3	375,692	369,768	1.6
Minerals Severance	1,986,973	2,220,896	-10.5	9,177,320	9,633,994	-4.7
Natural Gas Severance	3,395,380	2,454,659	38.3	10,387,245	9,820,847	5.8
Income	**608,440,290**	**541,847,056**	**12.3**	**2,128,794,860**	**2,005,532,077**	**6.1**
Corporation	(4,127,900)	(14,109,150)	—-	163,022,680	106,587,962	52.9
Individual	612,568,190	555,956,206	10.2	1,965,772,180	1,898,944,115	3.5
	-					
Property	**114,021,939**	**109,973,291**	**3.7**	**380,397,534**	**376,057,578**	**1.2**
Bank Deposits	422,944	390,247	8.4	423,204	408,453	3.6
Building & Loan Association	125,766	116,862	7.6	158,535	167,774	-5.5
Distilled Spirits	374	(666)	—-	425,348	363,178	17.1
General - Intangible	3,232,839	6,329,429	-48.9	22,723,818	22,710,785	0.1
General - Real	69,954,029	52,815,862	32.4	187,424,003	174,050,162	7.7
General - Tangible	34,176,597	35,589,720	-4.0	106,352,400	112,090,435	-5.1
Omitted & Delinquent	1,439,549	9,276,324	-84.5	18,819,072	19,943,065	-5.6
Public Service	4,659,317	5,436,801	-14.3	43,953,582	46,191,655	-4.8
Other	10,525	18,712	-43.8	117,573	132,070	-11.0
Inheritance	**17,382,517**	**17,650,238**	**-1.5**	**78,107,706**	**56,643,466**	**37.9**
Miscellaneous	**8,468,433**	**2,843,230**	**197.8**	**22,353,810**	**8,562,182**	**161.1**
Legal Process	6,524,082	1,675,160	289.5	16,599,978	4,024,774	312.4
T. V. A. In Lieu Payments	1,936,922	1,166,994	66.0	5,724,693	4,483,192	27.7
Other	7,429	1,077	589.8	29,139	54,216	-46.3
Nontax Receipts	**62,877,163**	**58,241,544**	**8.0**	**182,005,039**	**194,254,220**	**-6.3**
Departmental Fees	6,370,873	5,507,526	15.7	16,711,574	14,152,846	18.1
PSC Assessment Fee	613	980	-37.4	2,762,900	1,631,642	69.3
Fines & Forfeitures	6,185,385	10,246,968	-39.6	22,597,492	29,780,990	-24.1
Interest on Investments	204,746	3,315,083	-93.8	722,417	13,782,972	-94.8
Lottery	50,000,000	39,000,000	28.2	130,000,000	127,000,000	2.4
Miscellaneous	115,546	170,987	-32.4	9,210,656	7,905,770	16.5
Redeposit of State Funds	1,804,352	1,786,533	1.0	5,002,658	6,359,784	-21.3

KENTUCKY STATE GOVERNMENT REVENUE - ROAD FUND REVENUE

	Third Quarter 2002 - 2003	Third Quarter 2001 - 2002	Percent Change	Year-to Date 2002 - 2003	Year-to Date 2001 - 2002	Percent Change
TOTAL ROAD FUND	**$270,372,628**	**$278,694,277**	**-3.0**	**$824,871,338**	**$818,012,386**	**0.8**
Tax Receipts-	**255,729,548**	**264,024,539**	**-3.1**	**778,222,255**	**770,497,323**	**1.0**
Sales and Gross Receipts	**208,490,227**	**217,232,636**	**-4.0**	**655,895,053**	**647,920,631**	**1.2**
Motor Fuels Taxes	102,017,403	107,643,662	-5.2	325,729,374	319,748,649	1.9
Motor Fuels Use & Surtax	4,004,653	3,412,163	17.4	11,346,709	9,637,894	17.7
Truck Trip Permits (fuel)	89,200	86,940	2.6	273,040	272,380	0.2
Motor Vehicle Usage	102,378,971	106,089,870	-3.5	318,545,929	318,261,708	0.1
License and Privilege	**47,239,322**	**46,791,903**	**1.0**	**122,327,202**	**122,576,692**	**-0.2**
Motor Vehicles	21,656,078	21,212,754	2.1	49,219,849	50,881,977	-3.3
Motor Vehicle Operators	1,383,208	1,460,453	-5.3	4,247,534	4,113,467	3.3
Weight Distance	18,821,891	18,706,827	0.6	58,164,560	56,745,077	2.5
Truck Decal Fees	30,607	114,024	-73.2	81,631	213,269	-61.7
Other Special Fees	5,347,538	5,297,846	0.9	10,613,628	10,622,902	-0.1
Nontax Receipts	**14,296,663**	**14,076,640**	**1.6**	**45,720,520**	**45,537,115**	**0.4**
Departmental Fees	5,403,164	4,313,195	25.3	13,612,407	11,026,150	23.5
In Lieu of Traffic Fines	316,804	479,779	-34.0	1,030,604	1,538,976	-33.0
Highway Tolls	3,140,416	3,184,841	-1.4	9,750,088	10,183,915	-4.3
Investment Income	5,248,814	5,680,718	-7.6	20,885,266	21,888,941	-4.6
Miscellaneous	187,465	418,108	-55.2	442,155	899,134	-50.8
Redeposit of State Funds	**346,417**	**593,097**	**-41.6**	**928,563**	**1,977,948**	**-53.1**